



CITY OF DETROIT

DETROIT RESOURCE MANAGEMENT SYSTEM (DRMS)

GAP ANALYSIS

EXECUTIVE SUMMARY



Prepared by KPMG Information Risk Management

September 2001

TABLE OF CONTENTS

<u>1. INTRODUCTION</u>	3
<u>PURPOSE OF DOCUMENT</u>	3
<u>OBJECTIVE OF PROJECT</u>	3
<u>SCOPE OF PROJECT</u>	3
<u>APPROACH AND METHODOLOGY</u>	3
<u>2. EXECUTIVE SUMMARY</u>	5
<u>OVERALL FINDINGS</u>	5
<u>3. DETAIL FINDINGS</u>	7
<u>DETAIL FINDINGS – COMMON ACROSS DEPARTMENTS</u>	7
<u>1. INCONSISTENT REPORTS</u>	7
<u>2. ENCUMBRANCE REPORTING</u>	7
<u>3. OPEN ENCUMBRANCE BALANCE</u>	8
<u>4. DUPLICATE PAYMENTS</u>	8
<u>5. TRACKING OPEN AND PAID INVOICES</u>	9
<u>6. MANUAL JOURNAL ENTRIES</u>	9
<u>7. FUNDS AVAILABLE REPORT</u>	10
<u>8. ENCUMBRANCE SUB-LEDGER DETAIL</u>	10
<u>9. G/L AND ACCOUNTS PAYABLES</u>	11
<u>10. INVOICE NOTIFICATION</u>	11
<u>DETAIL FINDINGS – RECREATION DEPARTMENT</u>	12
<u>11. PAYMENT OVERVIEW SCREEN</u>	12
<u>12. PAYMENT PROCEDURES</u>	12
<u>13. YEAR-END CLOSING</u>	12
<u>DETAIL FINDINGS – HEALTH DEPARTMENT</u>	13
<u>14. BLANKET PURCHASE ORDERS</u>	13
<u>15. BASELINE</u>	13
<u>16. ORACLE TECH TEAM GRANTS</u>	14
<u>DETAIL FINDINGS – WATER & SEWERAGE DEPARTMENT</u>	15
<u>17. INBOUND INTERFACE</u>	15
<u>18. BLANKET ORDER RELEASES</u>	15
<u>19. REPORTS FOR AGENCY A41000</u>	16
<u>20. CHEMICAL PURCHASES</u>	16
<u>21. ACCURATE RECEIPTS FOR GOODS DELIVERED</u>	16
<u>22. FLEX FIELD</u>	17
<u>23. FUNDS APPROPRIATION</u>	17

4. DEPARTMENT RESPONSE

APPENDIX A: GAP ANALYSIS MATRIX

1. INTRODUCTION

Purpose of Document

The purpose of this memo is to document our findings of the Detroit Resource Management System (DRMS) Gap Analysis project for the Office of the Auditor General for City of Detroit (City). This assessment was commissioned by the Auditor General of the City of Detroit.

Objective of Project

To provide assistance to the Office of Auditor General of the City in performing an independent Gap Analysis between the “as-is-state” and the “desired-state” of the Oracle Financial application at the City. The “as-is-state” is defined as the functionality existent within the DRMS Oracle application at the time of KPMG’s on-site work. The “desired-state” is defined as the functionality within the DRMS Oracle application needed by management and users to efficiently and effectively perform their daily job functions and reporting.

Scope of Project

The scope of KPMG’s analysis included the following Oracle Financial modules implemented at the City:

- Purchasing;
- Accounts Payables;
- Accounts Receivables;
- Project Accounting; and,
- General Ledger.

For each module we analyzed the usage of process capabilities of the following departments:

- Recreation;
- Health;
- Water and Sewerage;

The Office of the Auditor General identified the departments under review.

Approach and Methodology

Overall, IRM professionals conducted interviews with selected City of Detroit personnel. We reviewed selected documents and system settings. KPMG performed a Gap Analysis between the “as-is-state” and the “desired-state” as per the approach and methodology depicted in Fig 1. DRMS Gap Analysis Project Approach.

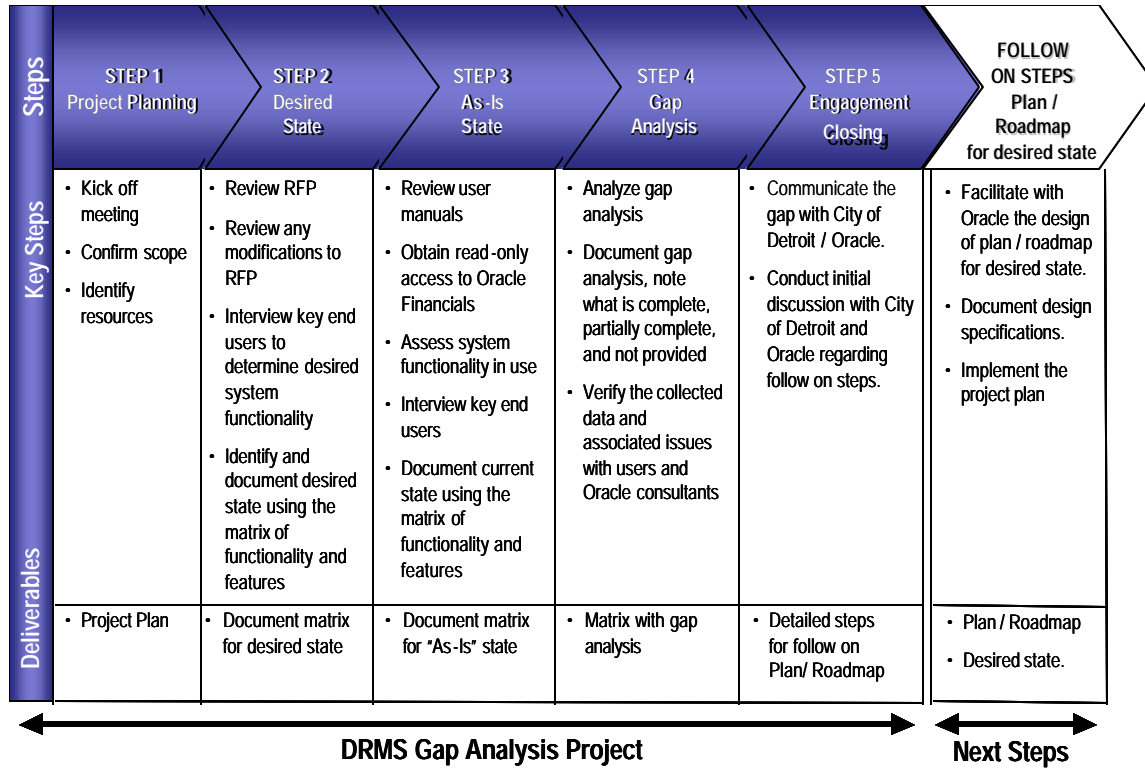


Fig 1. DRMS Gap Analysis Project Approach

2. EXECUTIVE SUMMARY

OVERALL FINDINGS

During our review we noted a number of areas where the DRMS system is providing good functionality. Appendix A: Gap Analysis Matrix provides detail overviews of these areas.

Overall, the current state of the DRMS system could be improved by:

- 1 A complete review by the DRMS team of the reporting functionality provided by the system. We noted a number of errors (as noted in the observations below) with DRMS reports. Examples of some of the errors we noted are:
 - Encumbrance year-to-date, actual, and funds available amounts are not consistent between the “*Budget Funds Available Analysis*” report and the “*Funds Available*” inquiry.
 - Encumbrance amounts are not correct on the “*Encumbrance Detail*” report.
 - Vendor/Suppliers name is not populated in the *Source* column of the “*Encumbrance Detail*” report.
 - The dollar amount of the encumbrances is not correct in the “*Open Encumbrance Balance with Transaction Detail*” report.
- 2 A complete review of the current processes followed by users and those expected by the DRMS team. During our review, we noted (see observations below) numerous instances where users were not following the established procedures. These lead to work-arounds and erroneous data in the system. We believe the cause of this is three-fold:
 - Ineffective communication of established procedures. While the DRMS team has developed a number of training programs to address this issue, additional tool-aids, such as process maps, help-cards, should be developed to further assist the user in their day-to-day functions.
 - Incomplete process definition stage in the development stage. The DRMS team should review the matrix in the appendix as a starting point to identify areas where users are not following the established procedures. Discussions should be held with these users to see if the established procedures need to be revised, or related system settings or if the established procedures need to be re-enforced.
 - Ineffective enforcement by user management of established procedures.
- 3 Develop a steering committee to review and make decisions on user-requests and further development of the system. This committee should have representation from the DRMS team, various user departmental groups, Office of the Auditor General, etc.

- 4 A technical review of the DRMS's system current capacity. During our review, we noted that the system was slow. This has a number of impacts, such as user acceptance, wait time cost, short cut creation to work around the system.

3. DETAIL FINDINGS

DETAIL FINDINGS – COMMON ACROSS DEPARTMENTS

1. Inconsistent Reports

Observation

Division heads and superintendents use the “*Budget Funds Available Analysis*” report and “*Funds Available*” inquiry for various critical funding and accounting decisions. These reports provide detail over:

- Budget amount
- Encumbrance Amount
- Actual Amount
- Funds Available

We noted the following:

- Encumbrance year-to-date amounts, actual amounts and funds available amounts are not consistent (i.e. different in the two reports for the same scenario) between the “*Budget Funds Available Analysis*” Report and the “*Funds Available*” inquiry.
- Total year-to-date amounts are not consistent between the “*Budget Funds Available Analysis*” report and the “*Funds Available*” inquiry.

Given these discrepancies, the user is unable to determine which data to rely on.

Recommendation

Per our discussion with the DRMS team, the “*Funds Available*” inquiry is providing correct funds information. The “*Budget Funds Available Analysis*” report provides inaccurate data.

We recommend the DRMS team to review the source code for the report to identify and resolve the errors.

2. Encumbrance Reporting

Observation

The “*Encumbrance Detail*” report is a critical tool for planning purchase orders. This report provides users the required details relating to encumbrances including: Requisition number, Vendor name, Reserved date, Item description, Quantity unit, Unit price, Amount, and Requisition subtotal dollar amount.

We noted the following gaps:

- Report does not populate the Vendor/Suppliers name in the *Source* column
- Report is not calculating the encumbrance amount correctly.

Recommendation

Our initial analysis indicated an error with the multiplication of unit price and quantity unit. We recommend the DRMS team to review and resolve the source code logic. Thorough tests should be performed to ensure other errors do not exist.

3. Open Encumbrance Balance

Observation

The dollar amount of the encumbrances is inaccurately stated in the “*Open Encumbrance Balance with Transaction Detail*” report.

The DRMS team disabled the report after the error was identified.

Recommendation

We recommend the DRMS team to review the source code to identify and resolve the error. Once corrected, the report should be tested to ensure it is working as intended.

4. Duplicate Payments

Observation

It is very critical to control duplicate payments for recurring and non-recurring items. Duplicate payments exist for a variety of reasons, such as:

(Non-Recurring Items)

- Accounts Payable division pays invoices upon receipt of invoice and secondly upon receipt of a check request from the departments
- The same supplier name is entered into the application twice using different name abbreviations. Payment of goods is applied to each supplier name entry.

(Recurring Items)

- Lease number is entered as the invoice number. Payment is approved twice based on lease and invoice number.
- Invoice dollar amount is entered as the lease number
- Invoice number is entered twice by adding a unique character to the original number

Per our discussion with the DRMS team, policies and procedures have been established to control duplicate payments. While we believe that such policies and procedures exist, they have not been effectively communicated to the user groups.

We believe the root cause of this issue is two-fold:

- Users not following the established policies and procedures
- Ineffective involvement of key users during the process definition stage.

Recommendation

We recommend the DRMS team and user groups:

- To jointly review the current procedure for entering and paying invoices. Appropriate changes should be made to the procedure as necessary. This procedure should be formally communicated to all of the departments.
- The matching criteria within Oracle should be reviewed and tested to ensure it is working properly.
- A procedure should also be established to monitor and enforce the established procedures.

5. Tracking Open and Paid Invoices

Observation

Users track open and paid invoices that were entered into Oracle through batch form. Oracle provides the *View Invoice Batch Summary* to track invoices entered through batch form. However, if the batch name is changed before the batch is entered into the application, then users are unable to track invoices according to the original batch name.

Recommendation

The procedure for creating and entering batch names should be formally communicated across the departments and Central Accounts Payable.

6. Manual Journal Entries

Observation

The following gaps occur when entering journal entries using manual journal entry:

- The application does not allow the users to simultaneously view credits and debits entered on the *Journal Entry Form*. Given this, the user does not have an opportunity to correct a non-balancing journal entry before it is submitted.
- The application accepts an imbalanced credit and debit entry.

Recommendation

Per our discussion with the DRMS team, additional research is required to determine the cause of the error. We encourage the DRMS team to complete the research and resolve the issue as early as possible. It is very important to have strict controls over manual journal entries as they have the potential to be a single source of error that also overrides any prior controls.

7. Funds Available Report**Observation**

Users review the “*Funds Available*” inquiry to view total dollar amount (roll-up amount) for department accounts. This is used to determine the total expenditure.

The inquiry does not provide a total dollar amount (roll-up amount) for the funds available. As a workaround, users manually calculate the total dollar amount based on each of the funds available account dollar amounts.

Recommendation

We recommend the DRMS team to review the need for the roll-up amount and determine if customization is necessary.

8. Encumbrance Sub-ledger Detail**Observation**

Oracle provides the “*General Ledger Inquiry for Encumbrances*” to view sub-ledger details for encumbrances including purchase order numbers, requisition numbers, and vendor names. However, when users attempt to view Sub-ledger Details, the application generates the following error message:

“APP-08113: You cannot drill down this journal line. Verify that sub-ledger drilldown is enabled and the journal originated from AP/AR sub-ledger.”

Recommendation

Per our discussion with the DRMS team, additional research is required to determine the cause of the error. The setup tables for encumbrances should be reviewed to determine if the sub-ledger drilldown is enabled.

9. G/L and Accounts Payables***Observation***

The dollar amounts for sub-ledger details are not consistent between General Ledger and Account Payables.

Recommendation

Per our discussion with the DRMS team, additional research is required to determine the cause of the error. The source code logic should be reviewed to identify the cause of the error. Once identified and corrected, it should be tested to ensure it is working according to specifications.

10. Invoice Notification***Observation***

Currently, the submitter of an invoice is not notified if the invoice is rejected. The notification is necessary to assist in avoiding potential delays in vendor payments.

Recommendation

The source code/setup for the invoice approval process should be reviewed to identify the cause for the error. In the short term, however, users can use the Invoice on Hold Report. This report provides detail information for the invoices that have not received approval, and therefore have not been paid.

DETAIL FINDINGS – RECREATION DEPARTMENT**11. Payment Overview Screen****Observation**

Users track invoice payments by reviewing the *Payment Overview* screen. The users in the Recreation department are not aware of the complete functionality of the *Payment Overview* screen.

Recommendation

The DRMS team provides refresher courses. Users should request training on invoice payments, specifically tracking and reporting.

12. Payment Procedures**Observation**

The users in the Recreation department are not fully aware of the procedure for paying vendors. Currently, users wait for approval from divisions within the Finance department causing unnecessary delays in entering invoices.

Recommendation

The procedure for paying vendors in a timely manner has been established by the DRMS team. This procedure should be discussed with the Recreation department. User management at the Recreation department should enforce the procedures.

13. Year-End Closing**Observation**

Per discussion with the users, additional training is necessary for year-end processing.

Recommendation

The DRMS team provides refresher training on all modules. Users should attend training on General Ledger year-end close.

DETAIL FINDINGS – HEALTH DEPARTMENT**14. Blanket Purchase Orders*****Observation***

Users should match a blanket purchase order release dollar amount to the invoice dollar amount. Currently, there is a variance between release and invoice dollar amounts. Users are not aware of the “Allow Distribution Level Matching” functionality in Oracle.

Recommendation

The Oracle setup tables should be reviewed to determine if “Allow Distribution Level Matching” is enabled. If the functionality is enabled, the source code logic should be reviewed to identify the cause of the error. The functionality should be tested to ensure it is working according to specifications. If the City of Detroit does not choose to enable the functionality, the business reason and an appropriate workaround should be communicated across departments.

15. Baseline***Observation***

Users have a need to “baseline,” or authorize a change in an award budget for the purposes of:

- Performance reporting
- Revenue Calculation

Our initial analysis however, indicated that the “submit” fieldname does not change to “baseline.”

Recommendation

Per our discussion with the DRMS team, additional research is required to determine the cause of the error. The source code logic should be reviewed to determine the cause of the error. Once corrected, the “baseline” functionality should be tested to ensure it is working as intended.

16. Oracle Tech Team Grants

Observation

Users retrieve the following data through the Oracle Tech Team Grants Responsibility sub-module:

- Projects
- Awards
- Award Budgets
- Project budgets
- Budgetary Control

Currently, when a user attempts to retrieve a valid project number, the Tech Team Grant's sub-module returns the following error message:

"40212: Invalid value for field SEGMENT1."

In the Grants sub-module, however, the project number is retrieved and the error message is not generated.

Recommendation

Per our discussion with the DRMS team, additional research is required to determine the cause of the error. The source code logic should be reviewed to identify the cause of the error. Once corrected, the sub-module should be tested to ensure that it is working properly. Additionally, the users' security privileges should be reviewed to ensure that they are appropriate for the job responsibility.

DETAIL FINDINGS – WATER & SEWERAGE DEPARTMENT**17. Inbound Interface****Observation**

Users at the Water and Sewerage department track purchase orders and requisitions and the information is received through the inbound interface, Enterprise Maintenance Planning and Control (EMPAC). Purchase orders and requisitions are tracked in order to obtain follow-up information.

The Action History screen in Oracle, used to track purchase orders and requisitions does not provide the date assigned to the buyer or the buyer name.

Recommendation

Management should review the need to add the date assigned to buyer and the buyer's name on the *Action History* screen. Once reviewed, management should determine if customization is necessary.

18. Blanket Order Releases**Observation**

Users approve releases generated against a blanket purchase agreement. However, the application returns the following error message upon attempt to approve a release:

APP-14056: User Exit #PO Request_Action Returned Error. #PO Request_Action encountered an internal error. Parameters: REQUEST_ACTION, APPROVE AND RESERVE, RELEASE, BLANKET, 57115,0,0,0,0, GLOBAL.info_request, GLOBAL.status_field, GLOBAL.online_report_id, GLOBAL.return_code,NOTE, OFFLINE_CODE

Recommendation

The DRMS team should discuss the procedure for approving blanket purchase agreements to ensure all users are in compliance. User management at the Water and Sewerage department should enforce the established procedures.

The source code logic should be reviewed to identify the cause of the gap and additional testing should occur to ensure the blanket purchase agreement approval process is working properly.

19. Reports for Agency A41000***Observation***

Users are unable to process the reports for the following Users have a need to track invoices for the following agencies within the Water & Sewerage department:

- A41000
- A42000

Recommendation

Per our discussion with the DRMS team the ability to run reports is dependent upon a user's security. The application security/access should be reviewed to determine if all users, dependent on job function, are capable of running the report.

20. Chemical Purchases***Observation***

The application will not accept the approval of invoices for chemical purchases.

Recommendation

DRMS team should discuss the procedure for approving invoices across departments to ensure user compliance. Additional analysis and testing should occur to identify errors within the process for approving chemical purchases.

21. Accurate Receipts For Goods Delivered***Observation***

Based on our initial analysis, the delivery information for goods delivered is not consistently recorded on the *Receipt Transaction Summary*. Although goods were received, an expense was not posted to an accrual account.

Recommendation

The source code logic should be reviewed to identify additional errors. Once the errors are identified and corrected, testing should be performed to ensure the Receipt Transaction Summary is working as intended.

22. Flex Field***Observation***

Users credit and debit accounts in a timely manner, based on the population of an accurate utility segment in the Key Accounting Flexfield. Currently, the utility segment in the Flexfield is not populated for funds assigned to Accounts Receivable on the *Trial Balance – DRMS Version Report*.

Recommendation

Based on discussion with the DRMS team, the *Trial Balance -DRMS Version Report* source code logic should be reviewed and modified according to specifications. Once corrected, the report should be tested to ensure it is working as intended.

23. Funds Appropriation***Observation***

Based on our initial analysis, however, it appears adjustments to invoices are credited to the “general fund,” regardless of the fund originally assigned to the invoice.

Recommendation

The source logic should be reviewed to identify and resolve the errors. Once corrected, the adjustment functionality should be tested to ensure it is working as intended.



CITY OF DETROIT
DRMS PROJECT OFFICE

COLEMAN A. YOUNG
MUNICIPAL CENTER
2 WOODWARD AVE., STE. 628
DETROIT, MICHIGAN 48226
PHONE 313•224•6871
FAX 313•224•9342
WWW.CI.DETROIT.MI.US

August 2, 2001

Ms. Lyn Jackson
Deputy Auditor General
2 Woodward Avenue
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226

Re: DRMS Gap Analysis Report

Dear Ms. Jackson:

The Detroit Resource Management System (DRMS) Project Office has reviewed the Gap Analysis of the City of Detroit's (City) Oracle financial applications suite prepared by KPMG. We would like, at the outset of this response, to express our disappointment with the conclusions drawn in this Report. The Project Team spent several hours working with a KPMG representative to ensure that we effectively communicated the mission of the DRMS Project (Project) and City government operations. Extensive evidence was given to KPMG to substantiate our assertions. However this information has been excluded from the Analysis.

The Report indicates that the objective of the independent Gap Analysis was to:

'Identify the Gaps between the "as-is-state" and the "desired-state" of the Oracle financial applications at the City.'

Yet the Analysis fails to adequately define or analyze the "desired-state". The DRMS Gap Analysis Project Approach illustrated in Figure #1 indicates that KPMG reviewed the initial RFP to determine the "desired-state". However, many changes occur between the time an RFP is drafted and a contractual agreement is finalized. Services and/or functionality requested in an RFP might not have been available, ultimately considered infeasible, or too costly for the benefits provided, or the City could have changed its mind and selected alternative functionality before entering into a formal agreement with the vendor. How did KPMG determine that the services/functionality included in an RFP drafted in 1996 are still relevant to the City's needs today or have not been addressed through some other means? Without the benefit of this historical information, this type of analysis becomes ineffective for purposes of making management decisions or even identifying and analyzing gaps.

The Approach further indicates that:

a "desired-state" will be determined by interviewing key users to determine desired system functionality.

The parameters, which define "desired-state", have not been delineated in the Analysis. This makes it difficult to adequately respond to the issues raised. What standards did KPMG use to determine what functionality was desirable? Was a state determined to be desirable based simply upon an Agency's request without any further analysis, e.g. critical business need? Did KPMG exclude any Agency requests? If so, what were the parameters used for items included or excluded from this Analysis? If one out of forty three Agencies requests a change, is that desirable for the entire City?

DENNIS W. ARCHER, MAYOR

Ms. Lyn Jackson

August 2, 2001

Page 2

The parameters, which define "desired-state", have not been delineated in the Analysis. This makes it difficult to adequately respond to the issues raised. What standards did KPMG use to determine what functionality was desirable? Was a state determined to be desirable based simply upon an Agency's request without any further analysis, e.g. critical business need? Did KPMG exclude any Agency requests? If so, what were the parameters used for items included or excluded from this Analysis? If one out of forty three Agencies requests a change, is that desirable for the entire City?

The Project Team has an established process for Agencies to use to request system changes. This has been communicated Citywide. If an Agency is communicating the need for a desired change to KPMG which they have not formally submitted to the Project Team, then how desirable is that state? What parameters were used to determine which Agency requests should be reviewed by the Project Team?

We are not quite sure how KPMG reached their conclusions; however, we can say that they are not reflective of the more than five (5) hours of discussions that were held between KPMG and Project Team members. Several of the observations indicated that processes or procedures were ineffective without indicating how or why they were ineffective or how the recommendation would prove more effective than the established process.

Other recommendations seemed to ascribe the responsibilities of City Agencies to the Project Team. Personnel management has to remain the responsibility of the Agency. The Project Team cannot effectively manage employee behavior across forty-three Agencies, especially without management authority. The Project Team was never meant to become a permanent City Agency. That is not the role of a project team.

There are several findings identified as gaps which we would not classify as gaps, e.g. timing differences or areas where KPMG is recommending something the City is already doing.

Also, the Analysis references an Appendix A which was not provided for our review.

OVERALL FINDINGS

1. Reporting Functionality

KPMG Report: The DRMS team should conduct a complete review of the Reporting functionality provided by the system. We noted a number of errors with DRMS Reports.

First, the Project did organize a Reports Team for the express purpose of reviewing Reporting functionality. This information is not reflected in the Analysis. We are not sure how this was determined to be a gap since the Reports Team has been in operation since last year. Also, KPMG was advised that many of the discrepancies between Reports could be attributed to a bug in the Oracle software. These discrepancies were corrected with the installation of an Oracle Patchset, namely Patchset E. This also is not mentioned in the Analysis. With regards to the encumbrance amounts being incorrect on the *Encumbrance Detail Report*,

Ms. Lyn Jackson

August 2, 2001

Page 3

this only occurs when the encumbrances are not yet posted. The Finance Department posts transactions each evening. We don't believe that a timing difference is a gap.

Regarding vendor/supplier names not populating the source column of the *Encumbrance Detail Report*, the Project Team has received a request to have the information added to this Report and the issue is being addressed. We explained to KPMG that this is a standard Oracle Report; therefore the Report would have to be customized to capture this information.

2. Users Not Following Established Procedures Due to Ineffective Communication, Etc.

KPMG Analysis: During our review, we noted numerous instances where users were not following the established procedures. These lead to work-arounds and erroneous data in the system. We believe the cause of this is three-fold:

1. Ineffective communication of established procedures
2. Incomplete process definition stage in the development stage
3. Ineffective enforcement by user management of established procedures

The Report further states that there is "ineffective communication of established procedures" and that "additional tool-aids, such as process maps . . . should be developed to further assist the user in their day-to-day functions."

At each training event, employees are given manuals which contain process maps outlining all procedures for that module. The information is also available on the DRMS Intranet web-site which is available to all City employees (certified users have an icon for this site on their desktops). KPMG did not address how or why the established communication methods were ineffective and why or how their recommended methods would prove to be more effective. Just because a user does not follow a procedure does not mean that the correct procedure has not been communicated.

Additionally, Subject Matter Experts (SME) have been trained in each department to field user queries and train their Agencies' employees. If the SME is unable to resolve the issue, Level 3 Support is available on a daily basis to assist. This information was provided to KPMG. The availability of Help Desk and other Support is provided in newsletters, broadcast emails, meetings and other events.

The Report states that "[t]he DRMS team should . . . identify areas where users are not following the established procedures". Over a year ago the Project Team conducted an analysis of the critical issues effecting an employee's use of the system. This was determined through Report analysis, focus groups and surveys. This information was used to develop new training materials. Results were communicated to Agencies through newsletters, broadcast emails, the DRMS website and other means. Additional training courses have been implemented even since that time. Project Teams went out to all 43 Agencies and met with users to identify problems, outline solutions and articulate how to obtain further assistance.



Ms. Lyn Jackson

August 2, 2001

Page 4

It is the Project Team's responsibility to ensure that employees have access to the information necessary to properly use the system to perform their jobs in an efficient, professional manner. This is being done through the vehicles mentioned above. If an employee does not use the system correctly and does not avail him or herself of the tools necessary to use it correctly, this becomes a management personnel issue. In an automated system, unlike a manual system, if it is not used correctly, transactions will not process. In order to transact business all users must use the system in the same manner. The monitoring of employee work and enforcement of procedures must be performed at the Agency level. Management analysis of the Reports generated by the system for each Agency will inform managers when work is not being processed timely or correctly.

Your last bullet in this section states there is "[i]neffective enforcement by user management of established procedures." This is not an issue within the Project's purview. KPMG was advised that these were Agency specific and not Citywide issues. Once procedures have been established and communicated, adherence to those procedures must be monitored at the Agency level or the "Project" will never end. You would in effect be creating another City department.

There is only one system. Many of the City's Agencies are using the system efficiently and effectively. This provides assurance that all Agencies can use it effectively. They are all accessing the same system. The Project conducted monthly user surveys through March 2001. Users responded anonymously. Based on those responses:

% of Users who are confident or very confident of their knowledge of Oracle	83%
% of Users who believe DRMS helps them perform their daily work	95%
Help Desk is helpful in providing assistance	59%
Best method of Communication for DRMS information: Email	62%
% who believe training received was beneficial	74%
Most Beneficial Aspect of DRMS:	
Better access to information, Faster Processing & Automation of manual processes	

The above anonymous responses from City users in conjunction with the sheer volume of work performed on the system daily does not appear to be consistent with KPMG's Analysis results.

3. Development of Steering Committee

KPMG Report: Develop a steering committee to review and make decisions on user requests and further development of the system.

We do not believe that the City needs another committee. Committees tend to slow processes down. Help Desk Level 3 Support and Module Team Leads handle user requests in conjunction with the users making the request. After the initial implementation of DRMS, the Project Office did not receive any requests for new Reports or further system development. This is because users did not know how to use the system well enough to ask for enhancements. The fact that users have moved to this stage means that they have become adept at using what they have and now are ready for more. That is good. The people who use the system are



Ms. Lyn Jackson

August 2, 2001

Page 5

the best people to meet and address these issues. If they cannot agree at the user level, the issue similar to other City issues should be raised to the management levels of the respective Agency and the Finance Department. The Finance Department has ultimate authority over the City's financial information.

Some of the non-standard Reports currently being used by Agencies are a result of user requests handled in the above manner. KPMG was advised of this fact. The Analysis did not indicate if or why the current process is ineffective or how this recommendation will prove more effective.

4. Technical Review

The Project should perform a technical review of DRMS current system capacity. During our review, we noted that the system was slow.

System technology is the responsibility of the ITS Department. The DRMS Project Team is a customer of the ITS Department. The Oracle applications are just one of a number of programs residing on the City's servers. Agencies have been instructed to Report technology issues to the ITS Department. Did the Agency Report their concerns to ITS for validation? Slowness can be the result of a number of things including the type of PC. Did KPMG note whether the system was slow when other applications were used or just the Oracle applications? The system was slow in comparison to what? We believe ITS has conducted system performance reviews. KPMG should contact ITS to obtain the outcome of the performance analysis and to ensure that KPMG's assessment and recommendations in this area are correct.

5. KEY FINDINGS – Common Across Departments

1. Inconsistent Reports

The reason for differences between the *Funds Available Analysis* and *Funds Available Inquiry* are that the Funds Inquiry Report shows real time transactions, while the Funds Analysis Report does not. Users are advised in training to use the Funds Available Inquiry Report to receive the most current information. The difference between the two Reports is a timing difference. We do not believe timing differences are gaps.

2. Encumbrance Reporting

We are confused by KPMG's observations. The *Encumbrance Detail Report* is not "a critical tool for planning purchase orders", rather, it is used to monitor and maintain established purchase orders. Again, we are in the process of adding the vendor/supplier name to the source column. KPMG states that their "initial analysis indicated an error with the multiplication of unit price and quantity unit". A request has been made to o Oracle to resolve this issue.

3. Open Encumbrance Balance

The Report recommends that the Project enable the *Open Encumbrance Balance with Transaction Detail Report* after resolving an error the report was generating. There are several reports that provide the same information, such as the *Requisition Encumbrance Detail Report*, *P.O. Encumbrance Detail Report* and *Requisition P.O. GL Encumbrance Detail Report*. As such, there is no need to enable this report.

4. Duplicate Payments

The Report states "*[p]er our discussion with the DRMS team, policies and procedures have been established to control duplicate payments. While we believe that such policies and procedures exist, they have not been effectively communicated to the user groups.*"

First, the major problem with duplicate payments occurred at the early stages of implementation. During that time all Agencies were allowed to input vendor invoices. That is no longer the practice. Invoices are primarily input by the Accounts Payable department with a couple of exceptions. Accounts Payable has been trained on this issue. KPMG was told that employees have been trained on this and other issues.

In addition, several months ago, the Project Team did train Agency staff to assist with the clean up of the duplicate invoices, which had been input by their Agency. All Agency employees who attended the duplicate payment training were advised of the findings and clean up procedures. Additionally, this information is available to all City employees via the DRMS Intranet site.

Controls have been set in place to safeguard the payment process. Initially, Agencies requested more than one supplier number for some vendors, by changing the name slightly or by using initials or spaces. The supplier database has been purged of all duplicate vendors. This ensures that a vendor cannot be paid twice using different vendor numbers. Also, a procedure has been established in Accounts Payable to monitor all payments to ensure that no duplicate payments are made. KPMG was advised of this.

5. Tracking Open Paid Invoices

The Report states that users experience problems when attempting to track open and paid invoices when using the View Batch Summary screen. It is impossible to find an invoice if the batch name has been changed in Accounts Payable. Established procedures require Accounts Payable to assign batch names for all departments except Water and DDOT. Users are trained to track invoices by using the View Invoice Summary. This screen allows the user to supply vendor name and/or number, and/or the invoice number to track payments. KPMG was advised of this.

6. Manual Journal Entries

The Report states that *'the system's inability to simultaneously show debit and credit entries allows unbalanced entries to be made.'* The Journal Entry form shows both the debit and credit balance. Any unbalanced journal entries are caught prior to the record being saved. The Report also incorrectly states that *these unbalanced journal entries "have the potential to be a single source of error that also overrides any prior controls"*. Any errors in journal entries are caught during month end closing. At that time the Finance Department notifies the user of the error and advises them that the entry will not be posted until corrected.

7. Funds Available Report

We do not understand the issue as presented and request further clarification.

8. Encumbrance Sub-ledger Detail

The message listed in the Report as an error actually shows the system functioning correctly. The *General Ledger Inquiry for Encumbrances* is a system generated Report. You cannot drill down on this type of Report. A drill down can be performed on all manually created entries.

9. G/L and Accounts Payables

The cause of this error have been identified and measures are being taken to correct it.

10. Invoice Notification

The Report states that *users are not notified when invoices are rejected*. Since the beginning of DRMS training, Agencies have been advised to regularly run the *Invoice on Hold Report*. This is a critical report to monitor timely payment of vendors. Agencies must report Invoice on Hold Report statistics to the Mayor's office bi-weekly. Agencies know that it is their responsibility to monitor this Report to ensure that all rejected invoices are addressed. Users have the ability to automatically run this (and any other) Report at pre-determined intervals. Agency users were trained on how to generate Reports on demand and using pre set intervals. It is also on the DRMS Intranet site and KPMG was advised as well.

6. RECREATION DEPARTMENT (Findings #11-13)

All of KPMG's observations appear to be training issues. Quite a bit of time was spent with KPMG outlining the Project's attempts to have this Agency's personnel trained. KPMG was given hard copies of



Ms. Lyn Jackson

August 2, 2001

Page 8

requests sent to this department advising that we would customize training to their needs, assist the SMEs with training if desired, and do whatever was necessary to assist this Agency. Also, while sitting in the DRMS Project office, KPMG witnessed a speakerphone conversation between a Project member and Recreation Department employee. During this conversation the employee stated that there was no need for assistance from the Project. KPMG wrote down the employee name, date and time of this call. There is no mention of this in her Report.

We are at a loss to understand how KPMG can recommend that we should discuss these issues with the department. They are well aware that several attempts have been initiated by the Project.

The Report also suggests that security privileges be reviewed for users of this department. KPMG was advised that user responsibilities are assigned at the Agency level. It is not the responsibility of the Project Team to dictate to an Agency who should be on or off the system. If there is a need for a change in security privileges the request would have to come from Agency management.

7. HEALTH DEPARTMENT

14. Blanket Purchase Orders

No response.

15. Baseline

Users cannot use project awards until they have been baselined and budgeted. Until this is done the award will fail funds check and the user will receive the error message "exceeds document control levels."

16. Oracle Tech Team Grants

The error mentioned in this section appears to be a user entry error. Also, KPMG recommends that security privileges be reviewed. KPMG was advised that user responsibilities are assigned at the Agency level. It is not the responsibility of the Project Team to dictate to an Agency who should be on or off the system. If there is a need for a change in security privileges the request would have to come from Agency management using established procedures.

8. WATER AND SEWERAGE

17. Inbound Interface

The Report recommends a correction to the *Action History* screen which is "used to track purchase orders and requisitions and does not provide the date assigned to the buyer or the buyer name". That is not the purpose of this screen. The *View Action History* screen is used to track purchase orders/requisitions for approval purposes only.

18. Blanket Order Release

The error message cited in the Report occurs when EMPAC is down. The Project has attempted on several occasions to offer customized training to this Agency. Help Desk personnel have also gone to this Agency to offer assistance. If the Agency does not want to receive training, the issue could not be that critical. KPMG was advised of same.

19. Reports for Agency A41000

Users have the ability to run Reports based on responsibilities which are assigned by Agency management.

20. Chemical Purchases

The Report states that "[t]he application will not accept the approval of invoices for chemical purchases." This does occur on some occasions however, it is related to the interface between EMPAC and Oracle and EMPAC's functionality.

21. Accurate Receipts for Goods Delivered

The Report states that "*delivery information for goods delivered is not consistently recorded on the Receipt Transaction Summary*". Although goods are received, an expense was not posted to the accrual account." The City's transactions are accrued at period end as opposed to on receipt. This accounts for the inconsistency. Agencies have been advised, as has KPMG.

22. Flex Field

The Project has received no requests to change this Report. There is an established procedure that any Agency may use to request system changes.



Ms. Lyn Jackson

August 2, 2001

Page 10

23. Funds Appropriation

The Report states that "*adjustments to invoices are credited to the 'general fund', regardless of the fund originally assigned to the invoice.*" This is impossible. When monies are released they automatically return to the fund they were taken from. KPMG was advised of this fact.

Sincerely,

Joan Moss

DRMS General Project Manager

Cc: Edward Hannan
Andrea Morrow
Gene Moss
Jerry Pokorski